

## COUNCIL ON HOUSING

Public Session  
Liberty Court  
Dover, DE  
May 13, 2009

On May 13, 2009, John Walker, Chair, called to order the Public Session of the Council on Housing at 2:10 p.m. In addition to Mr. Walker, the following Council members were present:

Russ Huxtable	Ralph Peters
Hugh Leahy	Ruth Sokolowski
Connie Louder	Norma Zumsteg
Bill Pearson	

The following Council members were absent and excused from the meeting:

Connie McCarthy  
Vincent White - who was attending the National Association of Realtors mid-year meetings in Washington, DC.

The following persons also attended the meeting:

Anas Ben Addi, Director, Delaware State Housing Authority (DSHA)  
Lynda Blythe, Administrative Specialist III, DSHA  
Matthew Heckles, Legislative and Policy Advisor, DSHA  
Jerry Jones, Housing Finance/Development Administrator, DSHA  
Timothy McLaughlin, Deputy Director, DSHA

Guests present:

George Danneman, Salvo Landau Gruen & Rogers  
Gina Miserendino, Delaware Housing Coalition  
Gary Pollio, Interfaith Community Housing of Delaware, Inc.  
Van Temple, Diamond State Community Land Trust  
Bob Valihura

### **APPROVAL OF MINUTES**

Ms. Zumsteg made motion, and Mr. Leahy seconded, to approve the April 8, 2009 Minutes. Mr. Pearson distributed suggested changes to the minutes and, upon due discussion, Mr. Leahy made motion to accept the minutes as amended. Mr. Peters seconded the motion and the motion was unanimously approved.

## **HDF STATEMENT**

Using the attached handout, Mr. Jones reviewed the latest changes to the HDF statement:

- Item #121 - West End Security Deposit FY09 - was approved at the April meeting and is now in the "committed" column.
- Item #122 - Diamond State CLT request for \$90,000 - is being presented to Council at this meeting.
- Items #123 through #129 represent \$14 million in new HDF requests for tax credit projects, one project is requesting tax credits only.

### **Federal Stimulus Package**

Mr. Jones updated Council on these federal funds stating:

- DSHA has finally received directions from HUD and the IRS for accessing these funds.
- Staff is compiling policies and procedures as to how the requirements will be addressed.
- DSHA is eligible to apply for \$6.6 million in Tax Credit Assistance Program (TCAP) funds.
- The application is due to HUD by June 3, 2009.
- The final draft policy (a copy of which will be sent to Council) will be posted on DSHA's website for public comments which will be due May 29, 2009.
- These funds will help those tax credit deals that either do not have an investor or enough equity to proceed.
- The federal dollars will be used to cover the equity shortfall and the TCAP funds will probably be in the form of a loan to a partnership.
- The Tax Credit Exchange Program is another form of federal stimulus money which allows DSHA to exchange 2007, 2008 and 2009 tax credits for cash.
- No 2007 credits will be returned as those projects are underway and not in need of further funding.
- DSHA can return the entire 2008 allocation to the IRS and receive 85 cents on the dollar for them. These funds could then be used to replace equity with federal stimulus money to keep projects moving forward.
- 40% of the 2009 credits can also be returned for cash.
- DSHA staff is working diligently to make sure the 2008 projects can continue with these available funds and the 2009 projects, once underwritten, can also proceed.

Ms. Sokolowski asked if loans Council had approved previously were structured with the assumption that tax credits would sell less than 85 cents on the dollar. Mr. Jones responded yes, 82 cents was the requirement last year; however, due to the economic turndown that began last fall, it has been very difficult for projects to get the funding needed. Ms. Zumsteg asked if DSHA had been in communication with Delaware Community Investment Corporation (DCIC), one of DSHA's partners in equity funding. Mr. Jones stated almost daily communications have occurred but that DCIC only has a small amount of equity funds remaining.

Mr. Jones noted that if the tax credits returned for cash are not needed for a particular project those funds could be used for another affordable housing project. Ms. Sokolowski asked if those funds would free up any of the HDF funds. Mr. Jones stated the stimulus funds are supposed to replace equity to make a project financially feasible. Therefore, assuming that a project was financially feasible at 82 cents on the dollar, those funds could be used to keep the project going and the 3 cents difference could reduce the HDF funds required and the savings could be used for other projects.

### **DIAMOND STATE COMMUNITY LAND TRUST (DSCLT) GRANT REQUEST**

Mr. Jones reminded Council that, prior to this meeting, they had received a copy of the attached presentation as well as comments from the Loan Review committee. Mr. Jones next reviewed the history and goals of DSCLT:

- Created in 2006 by DSHA and Delaware Housing Coalition.
- Program was established and designed through partnership with many local banks, local entities, local governments.
- It is a small, 501C(3) entity with a Board of Directors, policies/procedures, ground lease and resale formula, mortgage partnerships and homebuyer counseling education in place.
- It is designed to provide affordable housing in perpetuity.
- By-laws target families at or below 80% Area Median Income (AMI).
- DSHA recommending, at the request of the Loan Review Committee, that the target families be at or below 60% AMI.
- One site is complete to date in Dunleith.
- DSCLT is actively working with West End Neighborhood House, Dover Housing Authority and a subdivision known as New Horizon in Laurel to establish CLT sites.
- Goals are to increase stock of perpetually affordable housing, housing Delaware's workforce, provide fair housing and diverse communities as well as an equitable balance between individual and community interests.

Mr. Jones continued that the current request is for:

- \$90,000 for three lots (\$30,000 each, which is DSHA's standard policy on gap financing for homeownership) in Dunleith.
- Homes will be constructed in partnership with Interfaith Community Housing of Delaware, Inc. (Interfaith).
- Buyers will be qualified lower income families who will participate in homeownership counseling, be thoroughly informed about CLT requirements and agree to participate in ownership of a CLT property.
- DSCLT will maintain a long-term relationship with the homebuyers.
- DSHA HOME and New Castle County HOME funds will provide a writedown of \$117,000 to \$127,000 per home.

Reviewing CLT information, Mr. Jones stated:

- The CLT owns the land.
- The homeowner owns the house and is eligible for all legal and tax benefits of homeownership, is responsible for the property taxes and can sell their homes at any time; however, resale restrictions/formulas apply.
- The trade-off for the affordable home is that the equity is restricted over the life of the ownership.
- The ground lease, recorded against the property, is for at least 99 years and requires the home be sold to another income-eligible household at an affordable price.
- Bank funding is not an issue for CLT properties.
- Mortgage default - DSCLT has the option to help keep the homeowner from foreclosure. If that fails, DSCLT has the right to purchase the home from the lender. Should DSCLT choose not to purchase the home, it would be sold on the open market with the ground lease remaining in place but the new owner would be charged a market rate lease fee.
- A formula will be used to calculate the resale price of all homes.
- Should the homeowner pass away, their home can be inherited, regardless of income, by their spouse, children or any other household member who has lived there for at least one year. Any other heirs must be income-qualified.
- Improvements to the houses may be made by the homeowner.

Ms. Zumsteg asked if the homeowner could landscape their homes. Mr. Temple responded that plantings were acceptable but that major improvements, requiring either a building permit or certificate of occupancy, must be approved by DSCLT and are discouraged due to the equity sharing formula.

Reviewing the cost/subsidy analysis, Mr. Jones stated that New Castle County has stipulated their contribution of HOME funds must be used for homes in Dunleith only. Mr. Peters asked who would be the general contractor. Mr. Jones replied all jobs will go out for bid with DSHA requiring a minimum of three bids per job. Mr. Peters also questioned if banks were willing to finance the estimated \$120,000 for the dwelling only. Mr. Jones and Mr. Temple responded that banks are willing to make these loans. Mr. Jones also stated that an agreement will be made between Interfaith and DSCLT as to their individual responsibilities; and that, should a home be put up for sale and there was no CLT buyer, Interfaith could provide a buyer for the property. Mr. Peters asked if the DSHA funds would be tied up in such a home. Mr. Temple replied the funds would not be tied up but held for another CLT property with DSHA's approval.

Mr. Jones stated the three homes would all be stick-built, approximately 1,600 sq. ft., three bedroom, 1-1/2 baths, having 25-year roof shingles, Energy Star doors, windows, appliances and insulation. Mr. Jones also noted that, because DSCLT has limited administrative capacity, Milford Housing Development Corporation has agreed to provide administrative and bookkeeping services for DSCLT.

Mr. Pearson asked if one realtor would be paid the real estate commission on all three houses. Mr. Jones replied that, in theory, there could be one realtor who sells all three houses and would receive the 6% commission in each case. Mr. Jones stated all properties would be multi-listed. Ms. Sokolowski asked if there would be a listing agent as well as a buyer's agent. Mr. Pollio stated there would be a listing agent and that potential buyers who attend the required homebuyer education are strongly urged to work with a professional realtor when seeking housing.

Mr. Jones reviewed the homebuyer affordability analysis in the attached handout and an example of DSCLT's resale formula which is a part of each home's ground lease. DSCLT's formula is a nationally accepted model but, according to Mr. Temple, could be changed at the discretion of DSCLT. Mr. Jones noted there is a shared appreciation factor (resale formula percentage).

Ms. Sokolowski noted the analysis does not indicate any allowance for owner transaction costs and that the seller could end up with very little money at the close of the transaction. Mr. Jones replied that Ms. Sokolowski is correct and could become an issue to some sellers. However, Mr. Jones continued, a CLT does provide affordable housing for a period of time for a person who otherwise might not be able to obtain credit worthiness or improve their standard of living. Mr. Temple cited sales of CLT homes in other states which produced fair returns for the sellers. It was agreed by Council that the benefits of homeownership over renting far outweigh the possibility of low equity returns.

Mr. Peters asked what had been the selling price of other homes in Dunleith. Mr. Pollio responded the prices were approximately \$145,000. Mr. Peters asked why a homebuyer should purchase a home for \$125,000 and not own the land compared to purchasing a home and land for \$145,000. Mr. Pollio explained the CLT dwellings are totally different houses with considerably more value.

It is the recommendation of staff that DSCLT's request for a \$90,000 HOME grant be approved according to the conditions as contained in the presentation. Mr. Walker then presented to Council Resolution No. 386 granting DSCLT's request. Ms. Sokolowski moved that the Resolution be adopted and Mr. Leahy seconded the motion. The motion was approved by Council with Mr. Huxtable recusing himself due to his position on the board of DSCLT and Mr. Peters abstaining due to his previous affiliation with Interfaith Community Housing.

## **DIRECTORS REPORT**

Mr. Ben Addi reported on the following items:

### **State Budget**

- The gap has grown from a \$750 to \$780 million deficit.
- DSHA presented its request to the JFC to maintain the HDF funds at approximately \$4 million.
- DSHA's Neighborhood Assistance Act tax credit administrative fund of approximately \$25,000 was cut by the JFC.

## Bond Bill

- On April 27<sup>th</sup> Mr. Ben Addi presented DSHA's request for \$2.5 million for the preservation program in addition to the aforementioned \$4 million in HDF funds.
- To date, no response to this request has been received.
- There may not be a bond bill for the state this year; or, possibility a reduced bond bill.
- The advocates who spoke after Mr. Ben Addi did a good job explaining the need for preservation and its effect on both the social side and economic side of housing.

Mr. Ben Addi closed by noting the recent untimely passing of Curtis Weeks, DSHA's Executive Secretary, and asked that Mr. Weeks' family be kept in everyone's thoughts and prayers during this difficult time. Mr. Ben Addi also thanked Mr. Walker for attending the funeral services.

Mr. McLaughlin announced a mobile workshop (bus tour) highlighting historical development, attainable housing, and mixed-use and compact communities in Delaware will be held May 21<sup>st</sup>, May 28<sup>th</sup> and June 4<sup>th</sup>, 2009 (see attached flyer). This workshop is being presented by the Delaware Chapter of the American Planning Association with DSHA and the State Planning Office partnering. The purpose of the workshop is to attract those persons/decision makers who typically either do not understand or support affordable housing to participate in the workshop to give them a better sense of housing development in Delaware. Council members are invited to attend and should contact Valerie Miller at DSHA for reservations.

## ADMINISTRATIVE MATTERS

### Conflict of Interest Policy

Ms. Louder reported there were no comments or changes received, as requested in last month's meeting, to the proposed Conflict of Interest policy and that the policy has been reviewed by legal counsel and no further reviews are required. Ms. Louder thanked Mr. Heckles for his assistance in this matter and requested that Council approve the policy with an effective date (which will be added to the policy) of July 1, 2009 for implementation and signing by all members. Ms. Zumsteg moved that the policy be accepted as requested. Mr. Peters seconded the motion which Council unanimously approved.

### Council Strategy Session

Mr. Walker stated he had received several comments regarding the proposed strategy session, that June 12, 2009 was the proposed date and suggested (as a cost-saving measure) it be held at Liberty Court. Mr. Walker then asked Council for their opinion on whether a facilitator should be utilized and, if so, who that would be and suggested Mr. Heckles be considered. Ms. Sokolowski and Mr. Peters strongly agreed that an outside facilitator be used. Ms. Sokolowski suggested Dr. Pam Leland, the facilitator for the previous session held in August 2006, be hired again as the facilitator. Mr. Pearson suggested Mr. Valihura possibly be considered as a facilitator but also agreed with utilizing Mr. Heckles. Mr. Walker asked Mr.

McLaughlin the approximate cost of the 2006 session. Mr. McLaughlin responded the previous cost was approximately \$3,500-4,000, not including the facility charge, for one and one-half days plus a one-half day follow up meeting. Mr. Pearson would like a review of Council's adherence to its By-Laws be included during the strategy session and asked if Mr. Schoell, Council's legal counsel, could be involved because the matters discussed would be of a legal nature. Ms. Sokolowski and Ms. Louder responded Mr. Schoell's fee would probably be more than a facilitator's. Mr. Pearson was unaware that DSHA pays Mr. Schoell for his services. Mr. McLaughlin suggested he and Mr. Heckles put together a list of available facilitators and their costs and send to Council for their consideration. Mr. Valihura stated he would be willing to volunteer, on a pro bono basis, in some capacity but not as a facilitator. Mr. Pearson introduced Mr. Valihura who stated he had been chairman of the Sunset Committee in 2006, chairman of the Housing Committee for the Delaware House of Representatives for six years and still maintains an interest in manufactured housing issues.

Mr. Walker asked Council members to submit names of facilitator candidates to Mr. McLaughlin and Mr. Heckles who will prepare a list, including the names of Dr. Leland and Mr. Valihura, for consideration. Mr. Walker confirmed the strategy session will be held Friday, June 12<sup>th</sup>, from 9:00 a.m. to 1:00 p.m. in the Community Building at Liberty Court and that light refreshments will be served.

Mr. Leahy asked that Council members be supplied with the most current reports or documents that had been mentioned in prior meetings to help the Council prepare for the strategy session. Mr. Heckles will send the requested documents (transition reports, JSC report, etc.) to all members.

Mr. Leahy suggested that, rather than sending copies of all comments and suggestions to each Council member, a compilation be provided to the members. Mr. Walker stated he, Ms. Zumsteg, Mr. McLaughlin and Mr. Heckles will review all of Council's comments and suggestions received and formulate a game plan for the strategy session. Mr. McLaughlin also suggested Council could use a portion of the June 10<sup>th</sup> meeting to do as much pre-work as possible so that the focus of the strategy session will be on what Council wants to accomplish in the coming year.

## **OTHER BUSINESS**

Mr. Pearson thanked Ms. Miserendino for Delaware Housing Coalition's "A Day For Housing" held May 5<sup>th</sup> which he attended. Also attending "A Day For Housing" were Ms. Louder and Mr. Huxtable.

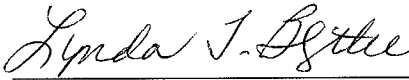
### **SCHEDULING OF NEXT MEETING**

Mr. Walker reminded Council about the upcoming Mobile Workshop and stated the next meeting of the Council will be held at 2:00 p.m. June 10, 2009 at Buena Vista Conference Center in New Castle.

### **ADJOURNMENT**

Ms. Zumsteg moved, and Mr. Huxtable seconded, that the meeting be adjourned. The motion was unanimously approved and the meeting adjourned at 3:30 p.m.

Respectfully submitted,

  
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Lynda T. Blythe

Note: Copies of materials referenced as “attached” in these Minutes are available upon request.